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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 /091 W
----------127970 080950Z /12
R 071517Z AUG 78
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 7525
INFO AMEMBASSY PARIS
USMISSION USNATO
AMCONSUL ZAGREB

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E. O. 11652: N/A
TAGS: ECON, YO
SUBJ: ECONOMIC NATIONALISM IN YUGOSLAVIA

SUMMARY: RECENT CHANGES IN YUGOSLAV ECONOMIC THEORY AND PRACTICE HAVE GIVEN MORE POWER AND RESPONSIBILITY TO THE INDIVIDUAL REPUBLICS AND PROVINCES. THIS IN TURN HAS LED TO AN INCREASE IN REPORTED OCCURRENCES OF NATIONALISM IN THE ECONOMIC SPHERE. THIS HAS IMPLICATIONS FOR THE COMPETITIVENESS OF THE YUGOSLAV ECONOMY AND PRESENTS A DIMENSION OF THE YUGOSLAV NATIONALISM PROBLEM WHICH IS MORE VISIBLE THAN MOST. END SUMMARY.

1. THE SERIOUSNESS OF THE YUGOSLAV NATIONALITY PROBLEM IS DIFFICULT TO DETERMINE, AS GOVERNMENT CONTROLS LIMIT MOST PUBLIC EXPRESSIONS OF IT. ONE AREA WHERE IT IS POSSIBLE TO GAIN AT LEAST A GLIMPSE OF THE EXTENT AND COMPLEXITY OF THE PROBLEM IS IN THE ECONOMIC RELATIONS AMONG THE REPUBLICS AND PROVINCES. WHILE EVEN HERE THERE IS NOWHERE NEAR A FRANK AND
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OPEN DIALOGUE AND MANY BITTER DISPUTES UNDOUBTEDLY DO NOT COME TO PUBLIC ATTENTION, AT LEAST SOME OF THE PROBLEMS ARE OPENLY DISCUSSED AND OTHERS ARE EVIDENT. SINCE THE BEGINNING OF THE YEAR, IN FACT, "ECONOMIC NATIONALISM" HAS BEEN A PERMISSIBLE TOPIC FOR THE PRESS TO A MUCH GREATER EXTENT THAN EARLIER. WHETHER THIS PUBLICITY IS DUE TO FEARS THAT THIS TYPE OF NATION-ALISM IS INCREASING OR AN AWARENESS THAT RECENT CHANGES IN THE

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ECONOMIC SYSTEM COULD LEAD TO SUCH AN INCREASE IS UNCERTAIN. IN ANY CASE, THE ARTICLES HAVE PROVIDED SOME CONCRETE EXAMPLES OF WHAT WE PREVIOUSLY KNEW ONLY GENERALLY.

2. THE MAIN CONCLUSION TO BE DRAWN FROM THE ARTICLES AND A SYSTEMATIC FOLLOWING OF THE ECONOMY IS THAT DESPITE LEGAL SUPPORT AND A CONTINUOUS STREAM OF EXHORTATIONS, PLEAS AND THREATS BY PROMINENT PARTY AND GOVERNMENT OFFICIALS, THE "UNIFIED YUGOSLAV MARKET" IS FAR FROM BEING A REALITY. IN FACT, ECONOMIC RELATIONS AMONG THE REPUBLICS AND AUTONOMOUS PROVINCES HAVE MANY OF THE CHARACTERISTICS OF INTERNATIONAL RELATIONS: EACH REPUBLIC AND PROVINCE NOW HAS ITS OWN BALANCE OF PAYMENTS AND A FOREIGN CREDIT ALLOCATION; ENTERPRISES FACE A FORMIDABLE SERIES OF BARRIERS TO ECONOMIC ACTIVITIES OUTSIDE THEIR HOME REPUBLIC; INVESTMENT POLICIES OF INDIVIDUAL REPUBLICS ARE FORMULATED ACCORDING TO REPUBLICAN NEEDS WITH YUGOSLAVIA'S NEEDS COMING SECOND; AND "GUEST WORKERS" FROM UNDERDEVELOPED REPUBLICS WORKING IN HIGHLY DEVELOPED REGIONS, PARTICULARLY SLOVENIA, FACE MANY OF THE SAME SOCIAL PROBLEMS WHICH THEIR COMPATRIOTS FACE IN WESTERN EUROPE.

3. THIS IS NOT TO SAY THAT EACH REPUBLIC AND PROVICE IS A COMPLETELY SELF-SUFFICIENT ENTITY. THE REPUBLICS AND PROVINCES DO REACH AGREEMENT ON INVESTMENT PLANS IN SOME PRIORITY SECTORS, THERE ARE SUBSTANTIAL EXCHANGES OF GOODS AMONG THE REPUBLICS, AND A CONSIDERABLE NUMBER OF ECONOMIC UNITS ARE ACTIVE OUTSIDE OF THEIR HOME REPUBLIC. THAT BEING SAID, HOWEVER, THE NATIONAL-
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ISTIC ELEMENT IS A POTENT FORCE IN THE DAILY ECONOMIC LIFE OF YUGOSLAVIA. SOME EXAMPLES ARE AS FOLLOWS:

A. THE SERBAIN ENTERPRISE "BEOGRAD" WANTED TO OPEN SEVERAL OUT-LETS IN LJUBLJANA, SLOVENIA, TO SELL AGRICULTURAL PRODUCTS. THEY WERE INFORMED THAT ALL EXISTING LOCATIONS FOR SUCH STORES WERE ALREADY RESERVED FOR LJUBLJANA ENTERPRISES AND THAT IT WAS UNLIKELY THAT ANY LOCATION FOR THE STORES WOULD BE AVAILABLE UNTIL AT LEAST 1980.

B. LOCAL CIGARETTES, MINERAL WATER, BEER, FLOUR, AND CHOCOLATES ARE INVARIABLY STOCKED IN AREA SUPERMARKETS. SIMILAR PRODUCTS FROM OUTSIDE THE REPUBLIC ARE EITHER NOT STOCKED AT ALL OR ONLY SPARSELY.

C. BELGRADE INSURANCE COMPANIES OPERATING IN SPLIT (IN CROATIA) WERE PROHIBITED FROM OPENING OFFICES AT THE LOGICAL PLACE FOR SELLING THIRD-PARTY AUTOMOBILE LIABILITY INSURANCE AND EXCLUSIVE RIGHTS TO OFFICE SPACE IN THE BUILDING WERE GRANTED ONLY TO A LOCAL FIRM.

D. FOUR PHARMACEUTICAL MANUFACTURERS COMPLANIED TO THE FEDERAL

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COMMITTEE OF HEALTH THAT THREE REPUBLICS AND ONE PROVINCE HAVE DRAWN UP LISTS OF MEDICINES WHICH CAN BE OBATINED BY PRESCRIPTION. THESE LISTS WHENEVER POSSIBLE EXCLUDE MANUFACTURERS NOT LOCATED IN THE PARTICULAR REPUBLICS OR AUTONOMOUS PROVINCES.

E. NEWSPAPER ARTICLES REPORT THAT ONLY THREE PERCENT OF ALL INVESTMENTS/COOPERATION BETWEEN ECONOMIC ORGANIZATIONS INVOLVE MORE THAN ONE REPUBLIC OR PROVINCE. ONLY 15 PERCENT EVEN TRANSCEND MUNICIPAL BOUNDARIES. THESE SAME ARTICLES REPORT THAT IN EVERY REPUBLIC AND PROVINCE WITH THE EXCEPTION OF SERBIA PROPER OVER 99 PERCENT OF CAPITAL INVESTMENT FUNDS GENERATED IN THE REPUBLIC OR PROVINCE WERE USED WITHIN THE REPUBLIC. IN SERBIA THE PER-CENTAGE WAS 96.5 PERCENT.

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F. ELEKTRONSKA INDUSTRIJA NIS, AN ELECTRONICS PRODUCER, DECLARED PUBLICLY THAT IT COULD NOT EVEN ADVERTISE IN CERTAIN NEWSPAPERS BECAUSE OF "ECONOMIC NATIONALISM."

G. ENTERPRISES IN SPLIT CHARGED THAT HIGHER-THAN-NORMAL SALES TAXES WERE PLACED ON BEVERAGES MANUFACTURED IN SPLIT WHEN THEY WERE SOLD OUTSIDE OF THE REPUBLIC. THE RESULT WAS THAT "DOMESTIC" BEVERAGES IN THOSE OTHER REPUBLICS WERE ENCOURAGED.

H. THE CITY OF KARLOVAC REPORTEDLY REQUIRED THAT REGIONS WHOSE COMMODITIES KARLOVAC IS BUYING BUY, IN RETURN,
THE SAME AMOUNT OF GOODS PRODUCED BY THE KARLOVAC ECONOMY. THIS "COUNTERTRADE" REQUIREMENT, CLEARLY A RESULT OF YUGOSLAVIA'S DEMANDS WITH ITS INTERNATIONAL TRADING PARTNERS, IS APPARENTLY BECOMING MORE AND MORE COMMON. AMERICAN BUSINESSMEN HAVE TOLD THE EMBASSY THAT INDIVIDUAL REPUBLICS AND EVEN ONE MUNICIPALITY HAD INSISTED THAT THE U.S. COMPANY FULFILL ITS YUGOSLAV COUNTER-TRADE REQUIREMENT SOLELY WITHIN THE BORDERS OF THE REPUBLIC (OR MUNICIPALITY). WHILE SENIOR YUGOSLAVS FIRMLY DENY THAT THE SYSTEM IS INTENDED TO WORK IN THIS FASHION, THE LOWER-LEVEL DEMANDS ARE A REALITY.

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R 071517Z AUG 78
FM AMEMBASSY BELGRADE
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I. CERTAIN COMMERCIAL BANKS WERE ACCUSED OF GIVING CONSUMER CREDITS ONLY FOR COMMODITIES WHICH ARE MANUFACTURED WITHIN THE PARTICULAR REPUBLIC OR PROVINCE. THESE INCLUDED CREDITS FOR FURNITURE, CARS, AND HOUSEHOLD APPLIANCES.

J. SOME PRODUCERS OF SCARCE RAW MATERIALS REPORTEDLY GIVE PRIORITY TO PURCHASERS FROM THEIR REGION RATHER THAN DIVIDING THE SUPPLY EQUALLY. THIS INCLUDED COMPLAINTS THAT INA, THE CROATIAN-BASED OIL COMPANY, FAVORS ITS CROATIAN CUSTOMERS DURING SHORTAGES AT THE EXPENSE OF SLOVENIA.

K. SEVERAL REPUBLICS HAVE RECENTLY COMPLAINED ABOU THE UNSATISFACTORY AIR SERVICE FROM JAT, A COMPANY HEADQUARTERED IN BELGRADE, AND ACCORDING TO THE YUGOSLAV SYSTEM, A SERBIAN COMPANY. TWO OR THREE ARE CONSIDERING THE ESTABLISHMENT OF THEIR OWN AIRLINES AS ONE SOLUTION TO THE PROBLEM.

L. ENTERPRISES VERY SELDOM INVEST IN A FACTORY-TYPE OPERATION
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OUTSIDE OF THEIR REPUBLIC. THEY MAY WELL SEEK TO OPEN A SALES OUTLET OR AN EXTRACTIVE-TYPE OPERATION THAT PROVIDES THEM WITH RAW MATERIALS. IF THEY DO ATTEMPT TO OPEN A SALES OFFICE, THEY WILL BE FACED WITH A SERIES OF BUREAUCRATIC OBSTACLES SUCH AS INABILITY TO OBTAIN PERMISSION, INABILITY TO OBTAIN SALES SPACE, ETC.

4. COMMENTS OF VARIOUS PERSONALITIES ILLUSTRATE THE DEGREE OF THE PROBLEM:

A. A BUSINESSMAN FROM SPLIT: "COMMODITIES SOLD OUTSIDE OUR REPUBLIC WE CONSIDER AS EXPORTED COMMODITIES."

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B. JOSIP VOJVODIC, DIRECTOR GENERAL OF THE AGRO-INDUSTRIAL ENTERPRISE PIK: "CASES OF INSULATING ONE'S MARKET DO EXIST. MORE AND MORE FREQUENTLY PURCHASERS FROM THE CONSUMERS' REGIONS APPEAR WITH COMMODITY LISTS (AS IF WE WERE DOING BUSINESS WITH A FOREIGN COUNTRY) AND IF YOU WISH TO SELL,YOU HAVE TO BUY WHAT THEY OFFER."

C. PETAR FLEKOVIC, PRESIDENT OF THE EXECUTIVE COUNCIL OF CROATIA: "ASSOCIATION AND POOLING OF LABOR AND RESOURCES WITH THE EXCEP-TION OF THE LAW AND POLITICAL PRINCIPLES STILL DOES NOT FOR FURTHER THAN MUNICIPAL AND REGIONAL BOUNDARIES. IT HARDLY, IF AT ALL, REACHED REPUBLICAN BOUNDARIES."

D. DR. VLADIMIR STIPETIC, DELEGATE TO THE FEDERAL ASSEMBLY FROM CROATIA: "THE YUGOSLAV MARKET IS SPLIT UP BY LOCAL, REGIONAL, NATIONAL AND OTHER BOUNDARIES."

E. DELEGATE AT EXECUTIVE COMMITTEE OF CROATION CHAMBER OF ECONOMY: "WE HAVE DIVIDED THE COUNTRY, PROBABLY MORE THAN WE EVER DID BEFORE, INTO MUNICIPAL, REGIONAL, PROVINCIAL, AND REPUBLICAN MARKETS, AND UNITY OF THE MARKET, AT THE FEDERAL LIMITED OFFICIAL USE

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LEVEL, PARCTICALLY HAS DISAPPEARED."

5. EQUALLY DISRUPTIVE TO A MARKET-TYPE ECONOMY ARE THOSE INSTANCES WHERE ENTERPRISES VOLUNTARILY AGREE TO DIVIDE THE COUNTRY REGIONALLY AND TO LIMIT THEIR ACTIVITES TO SPECIFIC AREAS. THIS A WIDESPREAD PRACTICE IN SUCH INDUSTRIES AS OIL PRODUCTION, REFINING, AND DISTRIBUTION AND FERROUS METALLURGY --PARTICULARLY STEEL. THIS PRACTICE AND THE SETTING OF PRICES AND PRODUCTION TARGETS THROUGH INDUSTRY ASSOCIATIONS IS EVEN ENCOURAGED BY THE GOVERNMENT IN THE NAME OF PRODUCTIVITY. THE RESULT IS THAT MANY YUGOSLAV INDUSTRIES ARE DOMINATED BY A FEW LARGE FIRMS THAT HAVE A CARTEL-TYPE MONOPOLY OVER THE MARKET. THIS PRACTICE OF "CARTELIZATION" IS, OF COURSE, NOT UNKNOWN IN OTHER COUNTRIES. BUT HERE IT IS NOT, FOR EXAMPLE, FIVE "YUGOSLAV" COMPANIES DIVIDING THE MARKET BUT FIVE COMPANIES WHICH REGARD THEMSELVES FIRST OF ALL AS SERBIAN, CROATIAN, ETC.

6. COMMENT. THE STRONG ROLE THAT NATIONALISM PLAYS IN THE ECONOMY IS A REMINDER THAT THE NATIONALISM PROBLEM IN YUGOSLAVIA IS STILL A MAJOR CONCERN. ASIDE FROM BEING A REFLECTION OF POLITICAL-CULTURAL CONCERNS, ECONOMIC NATIONALISM UNDERLIES MOST OF YUGOSLAVIA'S MAJOR ECONOMIC PROBLEMS. REGIONAL "CARTEL-IZATION" IS ONE OF THE SOURCES OF RESISTANCE TO MORE LIBERAL FOREIGN INVESTMENT LAWS. LACK OF A UNIFIED MARKET DECREASES ECONOMIES OF SCALE, INCREASES EXPLOITATION OF HIGH-COST RESOURCES, SLOWS INVESTMENT IN CRITICAL SECTORS (E.G. COAL) AND CAUSES EXCESS INVESTMENT IN OTHERS (OIL REFINING). THE RESULT IS

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RELATIVELY HIGH COSTS AND PRICES THAT KEEP INFLATION HIGH,
PRODUCTIVITY LOW AND EXPORTS UNCOMPETITIVE. IN ADDITION, WEAK
INTERREGIONAL LINKS IMPEDE NATIONAL DECISION-MAKING, ESPECIALLY
WHEN RESTRAINTS ON SPENDING ARE CALLED FOR, AND HAVE THUS LEFT
THE ECONOMY VULNERABLE TO DESTABILIZING WORLD PRICE TRENDS.
ECONOMIC NATIONALISM AND ITS IMPACT CONSTITUTE ONE OF THE MORE
PAINFUL ANOMALIES ARISING OUT OF THE YUGOSLAV LEADERSHIP'S
ATTEMPT TO EVOLVE A UNIQUELY YUGOSLAV BRAND OF SOCIALISM. AS
THE BASIC OBJECTIVES OF DECENTRALIZATION OF DECISION-
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MAKING, SELF-MANAGEMENT "DEMOCRACY", AND AMELIORATION OF NATIONAL-
IST TENSIONS LED TO THE ECONOMIC POLICIES WHICH CAUSED THE PRESENT
SITUATION, IT WILL NOT BE EASY FOR THE YUGOSLAVS TO FIND THEIR
WAY OUT OF IT. THERE IS, NEVERTHELSS, A PATTERN OF PRAGMATISM
IN YUGOSLAVIA, ATYPICAL IN THE PART OF THE WORLD, WHICH ENABLES
THE YUGOSLAVS TO TRY TO ADJUST TO ECONOMIC REALITIES. THEY ARE
CONSCIOUS OF THE PROBLEM AND CAN BE EXPECTED TO SEEK SOLUTIONS
TO AMELIORATE IT.EAGLEBURGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALISM, ECONOMIC DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 07 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BELGRA05762
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780324-0001
Format: TEL
From: BELGRADE USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780889/aaaacwut.tel
Line Count: 301
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6b350467-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1810263
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC NATIONALISM IN YUGOSLAVIA SUMMARY: RECENT CHANGES IN YUGOSLAV ECONOMIC THEORY AND PRACTICE HAVE GIVEN MORE POWER AND RESPONSIBILITY TO THE IN
TAGS: ECON, YO
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